THE POLITICAL ECONOMY OF ELECTRICITY PRIVATIZATION IN NIGERIA

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Abstract

In this study we examine the drives for utility privatization in less developed countries in an overall economic reform package. Third World States are rolling back on provisions of water, health, telecommunication, and electricity. This article investigates this trend in Nigeria especially in the electricity sector which is regarded as a sine qua non in the economic and industrial growth of a nation. The result shows that the need to fulfil the conditions for aid and debt relief from donor countries and external agencies becomes the overwhelming and primary motive to privatize. This paper argues that subjecting public policy to the dictates of external agencies undermines the democratization process in Nigeria. Accordingly the paper posits that the Federal government need to take into cognizance the contribution of civil society and organized labour in articulating a people based economic reform.

Keywords: Privatization, electricity, aid, donor agencies, organized labour

Introduction

The British and European colonization of Africa effectively ensured that these new colonies were integrated from communal economies into the international capitalist order. This development accounted for the dominance of foreign monopoly capital in the Nigerian economy before and after her independence. Akinsanya (1981:769) aptly noted, “On the eve of British devolution of power to the Nigerian political class indigenous traders controlled only 5 percent of imports, while the 3 largest expatriate firms accounted for 49 percent of all traded items. Of the stock of direct foreign investment which stood at $1.069 billion at the end of 1967, some 53.8, 16.4 and 14.5 percent represented British, American and Dutch investments respectively”.

Also, Hilton’s industrial survey of 625 manufacturing companies in Nigeria shortly after independence, showed that out of a total paid-up capital of $179.8 million, private Non-Nigerian source accounted for almost $126 million namely 70 percent. Of this 51 percent was British, 22 percent was western European, while 20 percent was American. The remaining 7 percent was between the Lebanese and Indians (Hilton 1976:146). This scenario demonstrates that while the new state was politically independent; it was economically dependent on foreign capital, a situation which could undermine its sovereignty.

In order to reverse this trend, the post civil war period therefore saw the country embarking on major economic policy shift brought about by the oil boom. The Federal Government promulgated the Nigeria Enterprise Promotion Decree (NEPD) 1972 and (NEPD) 1977 which sought to relocate the Nigerian economy squarely in the hands of Nigerians and for the Federal Government to control the commanding height of the economy, in order to accelerate the pace of industrialization and economic development. The indigenization policy coupled with the oil boom gave birth to many public enterprises and also justified expropriation. It was estimated that public enterprises increased

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Ironically, the oil boom of the 1970s which led to proliferation of public enterprises left the agricultural sector neglected; also affected was the manufacturing sector. The sector relied heavily on imported raw materials and Nigeria became an import dependent country in all ramifications due to access to oil wealth. In the early eighties the world oil market collapsed, this in turn led to an abrupt end of Nigeria’s economic boom. The economy being monocultural, became engulfed in a serious crisis which translated into slow growth rate of national output; the balance of payment crisis, mounting national debt and the debt servicing burden, the deepening food shortage crisis, the collapse of the manufacturing sector, mounting unemployment and galloping inflation coupled with the deteriorating standard of living.

The Government of Alhaji Shehu Shagari in a swift policy response launched the Economic Stabilization Measures of April 1982. The measures did not have much impact on the economy as the recession continued unabated. It was this crisis that provided the immediate domestic context for Government appeal to the International Monetary Fund for loan and the subsequent adoption of the Structural Adjustment Programme (SAP) prescribed by the IMF and the World Bank for ailing states. The military regime of Muhammadu Buhari, which overthrew the Shagari administration saw the need for such reform but was unwilling to accept the recommendations of the IMF for the devaluation of the Naira, the across-the-board privatization of public enterprises, the liberalization of trade and the withdrawal of petroleum subsidy. But the Babagida regime had no hesitation in fully implementing the Structural Adjustment Programme with its stringent conditionality’s. The Federal Government in July 1988 thus promulgated the Privatization and Commercialization Decree No.25, to formally launch the privatization and commercialization programme.

The Privatization and Commercialization Decree of 1988 established the Technical Committee on privatization and commercialization (TCPC) with Dr. Hamza Zayyad as its chairman and his mandate was to privatize 111 public enterprises and commercialize 34 others. In 1993, the TCPC concluded its assignment and submitted a final report having privatized 88 out of 111 enterprises listed in the Decree. Reacting to the recommendation of the TCPC, the Federal Military Government, created the Bureau for Public Enterprise of 1993 to fully implement the privatization programme in Nigeria. However, it was the enactment of the 1999 Public Enterprises Act, which changed the architecture of the Nigerian privatization programme.

The 1999 Public Enterprises (privatization and commercialization) Act, gave birth to the National Council on Privatization under the chairmanship of the Vice President. It established the Bureau of Public Enterprises as the secretariat of the National Council on Privatization and it also empowered the BPE to change emphasis from commercialization to encouraging core investors and promoting foreign investment in the privatization programme. The reform of the electricity sector did not start until 2000, with the formulation of a new power policy which was adopted by the National Council on
Privatization and approved by the Federal Executive council in 2001.

The Electric Power Sector Reform (EPSR) bill was passed by the National Assembly in February 2005 and signed into law by President Olusegun Obasanjo on March 11, 2005. The (EPSR) Bill aimed to dismantle the Electricity Act. It is against this background that this paper sets out to evaluate the political economy of electricity privatization in Nigeria.

Theoretical perspective

The privatization debate has generated a lot of research interest from academics, bureaucrats and practitioners since the mid 1980. These studies pay greater attention to developed and transition economies, with only a few studies on Africa. There is also a dearth of empirical study on electricity privatization in Nigeria. This might be attributed to the slow pace of electricity privatization and the absence of relevant data.

Martinot (2003) aptly pointed out, that “power sector restructuring is still in its infancy, although almost every country in the world is involved in some phase of electricity sector restructuring, no country considers its restructuring activities complete; all are in some transitional phase. As a result, actual data is scarce and trends are derived from preliminary information”. While some studies focus on the justification of privatization in Nigeria, like Jerome (2002); Emenuga (1997); Obadan (2000) others emphasize on the critique of the Nigerian privatization policy. Olukoshi (1993); Yahaya (1993); Adejumobi (1999) and Haque (2000).

Elucidating on the concept of privatization, Veljanovski (1987) had posited that privatization is simply to render private or to bring into the private sector. To, Cowan (1990:6) privatization is a process of transferring assets, organization functions and activities from the public sector to the private sector. The term according to Ramanadham (1991) is the application of the principle of the market or the bringing of enterprises under the discipline of the market. For other scholars, privatization involves a shift towards a market oriented management of assets held with the public sector or the transfer of public sector assets to the private sector or an increasing role for the private sector in public sector activities (Gayle and Goodrich 1990; Savas 1987; ADB 1987).

Salamon (1989) specifies two distinct definitions. First, is the one the report termed as a narrow definition, which conceives privatization as a political slogan which implies load shedding, the surrender by government of certain of its function and their assumption by private for profit. Second, is the one the report classifies as the broad approach which conceives privatization as not only load shedding but also a variety of other forms of government action that involve reliance on the private sector. Salamon report corroborates Jiyad’s findings that privatization can be classified under two major headings, the divestiture and non-divestitures option. According to Jiyad (1995) the divestiture option involves the direct sales (full or partial) of public assets to private investors, public share offerings on stock market, sales to investment or mutual funds, sales to employees or management teams through ownership plans or employee buyouts, public auction and liquidation followed by the sale of assets.

The non-divestiture option on the other hand embraces management contracts, leasing and operating concession, commercialization or corporatization, joint venture and contracting out. Hanke (1987) therefore proffers six objectives for privatization.

1. The improvement of economic performance of the assets or service functions concerned
2. The de-politicisation of economic decisions
3. The generation of public budget revenues through sales receipt
4. Reduction in public outlays, taxes and borrowing requirement
5. The reduction in the power of public sector unions

6. The promotion of popular capitalism through the wider ownership of assets.

This suggests that privatization is the restructuring of public enterprise with two outstanding key features: divestiture which could be partial or full divestiture and liquidation. The second being corporatization which involves partial and full commercialization. The package of reforms variously termed privatization, deregulation and liberalization that has been applied to electricity industries worldwide over the decade comprises five interdependent elements. The elements are privatization, wholesale competition, retail competition, unbundling of the vertically integrated monopoly and introduction of independent regulation (Thomas, 2006).

In their study of the privatization of British Electricity Corporation, Newberry and Pollitt (1997) found that the privatization of CEGB made an economic sense because privatization resulted in cost reduction of 5 percent yearly. Similarly, the findings of Jerome (2008) showed that there was a positive relationship between technical efficiency and some privatized firms in Nigeria. Laporta and Lopez-de Silanes (1999) study of the post privatization performance of 218 state owned enterprises that were privatized in June 1992 showed that their output increased by 54.3 percent after seven years of reform. Laporte and de Silanes findings also indicate that the firms achieved a 24 percent point increase in operating profitability and 64 percent incentive related productivity gains.

Also significant, is the Boubakri and Cosset (1999) empirical study of 79 companies from 21 developing countries and 32 Industries covering the period 1980 to 1992. The study finds statistically significant post privatization increases in output measured in real sales, operating efficiency, profitability capital investment spending, dividend payment and employment as well as significant decreases in leverage.

Studies thus indicate that privatization of electricity enhances technical efficiency, as technical losses arising from illegal connections and thefts of electrical hard wares are reduced. Bacon and Gutierrez (1996) recorded drop in power losses, from 19.8 percent to 17.4 percent from the period of 1990 to 1998 in Cote d'Ivoire. Also significant is the reduction of losses from 27 percent to 10 percent over a ten year period in Argentina (Bouill, et al. 2001). Rudnick (1996) also established that during a seven-year period, Chile succeeded in halving distribution losses. It is argued that this reduction’s gives rise to financial benefits which correlates positively to increase in profitability.

While these studies records positive result of performance of privatized firms under a post privatization regime some studies posit a different argument. For instance, Wallstein (2000) provides an econometric analysis of the impact of telecommunication reforms in 30 African and Latin American countries from 1984 to 1997. The study explores the effect of privatization, competition and regulation on telecommunication and finds that competition is positively correlated with increases in per capita access and decreases in cost. He therefore concludes that privatization alone is not helpful, unless complemented with adequate independent regulation, and that competition with privatization is best. The study actively discourages privatizing a monopoly without regulatory reform.

A closely related study to Wallstein is the one provided by Zang, et. al (2002) which adopts an econometric assessment on the effects of privatization, competition and regulation on the performance of the electricity industry using panel data for 51 developing countries over the period 1985 to 2000. The performance indicators estimated were net electricity generation per capita, installed generation capacity per capita, net electricity generation per employee, capacity

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utilization and electricity prices. The study found that on their own privatization and regulation do not lead to obvious gains in economic performance, but introducing competition does seem to be effective in stimulating performance improvement, irrespective of changes in ownership or regulation. Also, Bortolotti, et al (1998) empirical findings on privatization of electricity generation in 38 countries over the period covering 1977 and 1997 concluded that effective regulation is crucial to successful privatization.

This privatization literature evidently shows that the thrust lies essentially on economics, specifically defined in profitability terms. The literature neglects the historicity of privatization and is unable to account for social and environmental issues which arise from the externality of electricity privatization. This study therefore adopts the historicity and dialectics of the dependency theory to elaborate on the political economy of the electricity privatization in Nigeria. As an experiential tool it enables us understand that the preponderance of the inflow of capital stream from western donor countries to Nigeria facilitates the dominance of foreign monopoly capital and the imperialism of capitalism.

The National Energy Development Project (NEPD) which began in 2005 is largely funded by the Bank. The privatization framework of the bank is made up of five components, transmission, distribution, access expansion and renewable energy, technical assistance for gas projects and technical assistance for reform and private participation. Core element of the World Bank and IMF policy in relation to the power sector involves:

(1) Unbundling and privatization of the state electricity company.
(2) A power bill to accelerate transformation of the electricity sector.
(3) Legislation and technical assistance to promote domestic gas sector reform.
(4) Liberalization of the downstream petroleum sector.
(5) Funding to address key infrastructure constraints and
(6) Legislation for bills on fiscal responsibility, procurement and the extractive industries transparency initiative.

The Bureau of Public Enterprises is thus saddled with the task of implementing the World Bank inspired policy of electricity privatization. The former state power monopoly (NEPA) was restruicted and unbundled into eighteen companies under a holding company, so the BPE, PHCN and the Energy commission are central to the IMF and World Bank endorsed Electric Power Sector Reform Act enacted in March 2005.

The privatization framework of electricity generation in Nigeria

Privatization in some ways as served to strengthen domestic capital, but privatization as a growing phenomenon can be construed as a policy tool devised by the neo conservative political leaders of the west with the active collaboration of their intelligentsia to form a hegemonic agenda. This is evident from the declaration of a former senior manager at the IMF in 1989 after 12 years of service: “President Ronald Reagan effectively told us to go out and make the third world a bastion of freewheeling capitalism … Everything we did from 1983 onward was based on our new sense of mission to have the ‘south’ privatize or die, toward this end we created economic bedlam in Latin American and Africa in 1983-1988” (Davison, 1989).

And in what seems to be a collaboration is the directive given to the U.S Foreign Aid Officials that “they must encourage less developed countries to adopt free market principles and move away from state intervention” (Clarke, 1994:1). It can be deduced that privatization was promoted not because of its inherent policy strength, but its heuristic tool for capital accumulation. Haque’ (2000) exposition of the political and economic forces which serves as drivers for privatization in the developing countries is a touch stone. Mention was made of prominent leaders of the 1980’s including Margaret Thatcher of the U.K, Ronald Reagan of the
U.S and Brian Mulroney in Canada as setting the stage for this global hegemony.

This also involves the appointment of British and American trained neo-liberal economists in influential policy positions such as presidential advisers, and the world wide advocacy of neo liberal policies, most especially (privatization) by international agencies. Also instrumental is the ‘Washington Consensus’ adopted by the U.S Treasury, the Federal reserve’s, multilateral agencies, the finance ministries of the G.7 countries and the chairmen of most influential commercial banks.

Table I: The Washington consensus

<table>
<thead>
<tr>
<th>Original Washington consensus</th>
<th>“Augmented” Washington consensus (Additions to the original 10 items)</th>
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<tbody>
<tr>
<td>1 Fiscal discipline</td>
<td>11 Corporate governance</td>
</tr>
<tr>
<td>2 Reorientation of public expenditure</td>
<td>12. Anti corruption</td>
</tr>
<tr>
<td>3 Tax reform</td>
<td>13. Flexible labour market</td>
</tr>
<tr>
<td>4 Interest rate liberalization</td>
<td>14. Adherence to the WTO disciplines</td>
</tr>
<tr>
<td>5 Unified and competitive exchange rates</td>
<td>15. Adherence to international financial codes and standards</td>
</tr>
<tr>
<td>6 Trade liberalization</td>
<td>16. Prudent capital account opening</td>
</tr>
<tr>
<td>7 Openness to direct foreign investment</td>
<td>17. Non intermediate exchange rate regimes</td>
</tr>
<tr>
<td>8 Privatization</td>
<td>18. Independent central banks/inflation targeting</td>
</tr>
<tr>
<td>9 Deregulation</td>
<td>19. Social safety nets</td>
</tr>
</tbody>
</table>

Source: (Soludo, 2008:14, Cited in Tarabinah, 2010:4)

The Washington consensus is the 1989 international agreement that paved the way for privatization and liberalization of utility industries (Thomas, 2004).

From the late 1970’s to the present the types of policies imposed through conditionality to Nigeria and other developing countries reflected more on the Washington consensus agenda. And on the economic front, Haque noted that the burden of external debt and dependence was used as an economic weapon by institutions such as the World Bank, the IMF, the IFC, the USAID, the Asian Development Bank and the Inter American Development Bank to force debtor countries (developing countries of Asia, Latin America and Africa) to adopt market oriented reforms. (Haque, 2000)

Privatization is a necessary condition for the granting of aids and has been tied to eligibility conditions for debt relief by the World Bank and the IMF. Bayliss (2001) posits that in the electricity sector, privatization forms a major and indispensable part of policy conditionality. This implies that the need to fulfil the conditions for aids and debt relief becomes the overwhelming and primary motive for developing country’s government to privatize.

This table reveals the electricity reform policies which Nigeria and other countries were forced to implement in the context of request for financial support from the International Monetary Fund (IMF). Nyamugasina (cited in Hall and Motte, 2004) noted that “conditionality is the most powerful when collectively imposed. In
recent years, individual bilateral donors have ceded much of their decision making power to the IMF, which certifies that macroeconomic management of a country is sound and deserving of support. In addition donors have increasingly presented a united position to the recipient countries.” Since 1993, reform has been the major prerequisite for World Bank lending to the power sector (World Bank, 1993). And in an energy policy paper, the World Bank reinforces its stand; it stated that, “The Bank will be increasingly selective in its activities. Resources will be focused on only those countries which demonstrate credible commitment to reforms. Specific criteria will be actions taken to: disengage government from day to day operation of the energy sector; liberalize access; attract private investment and move the sector towards private ownership”. (World Bank, 2000; Bacon, 1995).

A 1995 World Bank study also provided the justification for its position. The findings of the study concluded that the greater the involvement of the private sectors the better the enterprise performance. (World Bank, 1995). Similarly, the ADB has made privatization of the power sector a pre-condition for approving loans, in line with its recent energy policy for “availing of all possible opportunities to crowd in private sector participation” (ADB, 2000). In the Ukrainian case for instance, the IMF stated that it would release the frozen $2.6 billion loan only if Ukraine privatized the electricity companies. And in the Philippines, ADB refused to approve the US $300 million loan for power sector restructuring unless there was demonstrated private sector participation (Wamakonya, 2003).

The World Bank generally provides prescription on how to reform, characterized by a requirement to privatize. Once a country had agreed to implement the recommended reform, the Bank advances loans to affect it. Part of which is used to restructure the power utilities to make them more attractive to the private sector (Wamakonya, 2003). Following the Asian financial crisis, the Indonesian Government was forced to approach the IMF for credit and the World Bank responds to the Indonesian letter of intent was, “in infrastructure, the bank will continue to promote privatization and private participation through its ongoing sector projects in telecommunications, power and transport...” (World Bank, 2001). The Indonesian Government in return made a firm promise to the IMF in 1999, to restructure its power sector and in September 2002, she passed the electricity bill which led to the privatization of the electricity sector. In 1997, the World Bank imposed electricity privatization as a conditionality for El-Salvador country assistance strategy. And in the case of Mozambique, the country’s 15 years civil war which ended in 1992 opened the country to considerable amount of external assistance among which includes a commitment made to the IMF to unbundled and privatizes its electricity monopoly as part of its 1998, Enhanced Structural Adjustment Facility Policy Framework. (World Bank, 2001)

The Cameroonian case also showed how the IMF and the World Bank conditions imposed a privatization which resulted in the creation of a private, poorly regulated, vertically integrated monopoly, which ignored historical experience that the development of the electricity systems has always been state led (Pineau, 2002 cited in Hall, 2004). The suspension of external funding to the electricity industry in 1991 forced the Bangladesh Government to implement the power sector reform plan designed in 1994 by the ADB and the World Bank (ADB, 2001).

A similar experience in Cote d’Ivoire in 1988-1989 left the Government with no choice but to adopt reform in the form of a management contract to a private firm in 1990. (Plane, 1999). In Honduras, debt relief under the heavily indebted poor countries (HIPC) was delayed for six months while the IMF demanded more progress on electricity privatization. (Oxfam, 2000). In the same vein Tanzania’s debt relief was held up by complications in the privatization of the National Commercial Bank (WOM, 2000). In Nigeria the World Bank and its affiliate institutions is the most conspicuous donor to the electricity sector. It coordinates with the DFID to produce a Joint Country Partnership
Strategy. (World Bank, 2005). Table 111 privatizing electricity in Nigeria thus, provides data on loans aimed at

<table>
<thead>
<tr>
<th>PROJECT TYPE</th>
<th>LOAN (MILLION)</th>
<th>LOAN SOURCE</th>
<th>APPROVAL DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privatization support project</td>
<td>114</td>
<td>World bank</td>
<td>2000</td>
</tr>
<tr>
<td>Economic reforms programme and facilitation of adequate privatization framework</td>
<td>1,031</td>
<td>IMF</td>
<td>2000</td>
</tr>
<tr>
<td>Transmission Development Project</td>
<td>100</td>
<td>World Bank</td>
<td>2001</td>
</tr>
<tr>
<td>IDA/ADF Commitment for power privatization in Nigeria</td>
<td>250</td>
<td>IDA/ADF</td>
<td>2000</td>
</tr>
<tr>
<td>Project funding to Assist in the privatization of NEPA</td>
<td>100</td>
<td>World Bank</td>
<td>2005</td>
</tr>
<tr>
<td>National Energy Development Project</td>
<td>172</td>
<td>WORLD BANK</td>
<td>2005</td>
</tr>
<tr>
<td>Aids To Assist In The West Africa Power Pool Project</td>
<td>15.6</td>
<td>AFDB</td>
<td>2003</td>
</tr>
<tr>
<td>To Assist in Mambilla Energy hydro project</td>
<td>$3 billion</td>
<td>China and the Islamic bank</td>
<td>2006</td>
</tr>
<tr>
<td>IDA commitment in the privatization project (privatization support project)</td>
<td>$1.6 billion</td>
<td>IDA</td>
<td>2007</td>
</tr>
<tr>
<td>Commitment for frontier market (privatization support project)</td>
<td>$147</td>
<td>IFC</td>
<td>2007</td>
</tr>
<tr>
<td>Power Transmission and distribution infrastructure</td>
<td>$300 million</td>
<td>IDA</td>
<td>2009</td>
</tr>
</tbody>
</table>


The table shows that from 2000 to 2009 there has been consistent inflow of capital from donor agencies specifically targeted at privatizing Nigerian electricity industry. These capital inflows in the form of loans are often accompanied by very stringent and tough conditionalities. For instance, on August 4, 2000 when the IMF approves a standby credit worth US$1,031 million for Nigeria’s 2000-01 economic programmes.
The IMF instructed the Nigeria Government that “An acceleration of implementation of structural reforms is urgently needed, including to tackling serious deficiencies in the provision of power, telecommunications and petroleum that are obstacles to growth” in emphasizing the urgency for an adequate privatization framework, they demanded that “there should be no delays in this urgent task”. They also warn that this “will require diligence and resolute efforts by the authorities to overcome evident weakness in institutional capacity” (www.globalexchange.org/wbimf/statesofunrest.html).

The Country Partnership Strategy (CPS) proposes that the World Bank group-International Development Association (IDA); International Finance Corporation (IFC); Multilateral Investment Agency (MIGA) and Department For International Development (DFID) develop a joint framework on economic growth with a range of stakeholders including other donors (UN, ADB,USAID,CIDA) that will identify opportunities for triggering and sustaining growth, shaping existing initiative and guiding new investments and analysis at three levels...the CPS includes a full programme for the electricity sector, with private sector at the heart even at the level of extending rural electrification ( World Bank,2005).

Elsewhere, the electricity strategy is not even categorize under the social sectors but as part of a private sector strategy whose major objectives includes: (1) unbundling of the power parastatal ahead of divestiture (2) passing a landmark power bill to underpin and accelerate transformation of the electricity sector and (3) increasing funding to address key infrastructural constraints. The World Bank report also revealed how the International Finance Corporation (IFC) has cooperated with the Bank in reform of the electricity sector in Nigeria. So, in line with the World Bank Country Partnership Strategy for the Nigerian electricity industry, from 1999 several independent power projects (IPPs) were set up. (Ariyo & Jerome, In Hall, 2006).

By this arrangement NEPA was unbundled into six generation companies (GenCos), one transmission company (Transys Co) and eleven distribution companies (DisCOS) This structure that came into effect is now called the Power Holding Company of Nigeria. The structure was to be test run for two years with a down pruned management team at the headquarters while the individual managers of the unbundled segments are expected to enjoy some level of autonomy (Okafor, 2005). In November 2005, the Nigeria Electricity Regulatory Commission (NERC) was commissioned and charged with regulating tariffs and quality of services rendered by the PHCN, and in 2006, the regulator, NERC issued licenses to new private projects which includes Supertek Nigeria Limited 1000MW; Farm Electric Supply Limited 150MW; ICS Power Limited 624MW; and Ethiope Energy Limited 2800MW. Their base of operations were Akwete, Abia, Ota, Ogun, Alaoji, Sapele and Delta states respectively. (Hall, 2006). There has been an unprecedented upsurge in independent power producers (IPP) in the electricity subsector. For instance Izaguirre (2000) records more than 600 private owned electricity projects which
amounted to US$160 billion investment in 70 countries where reform were implemented. Hall (2007) examines the experiences with private power stations (IPPs) in 4 African countries; Nigeria, Kenya, Tanzania and Uganda and documents that there were repeated evidence of corruption and overcharging by the multinational companies in these four countries. He highlighted the Nigerian case which demonstrates how Enron in 1998 was contracted to develop an IPP in Lagos; involving the supply of 290 MW from nine barges mounted gas turbine at Egbin Power station, to provide electricity for industrial consumers in the state. It was found out that Enron misrepresented the status of the barge which formed part of the prosecution against the former Enron executives and a petition by the Peoples Democratic Party (PDP) to the Economic and Financial Crimes Commission (EFCC) that the Lagos/AES power project fraud had cost the state over $500 million.

Privatizations in the electric sector are expected to boost job creation, improve incomes and enhance economic growth (Bouille, et al, 2001). In reality however; electricity privatization has been associated with downsizing of the labour force. For example, jobs were cut, by up to 66 percent by electricity privatization in Latin America in the 1990s. Argentina lay off 78,000 jobs during a three year period (Gabriele, 2004). In Brazil, barely a year after Electricite de France and Houston industries of Texas took ownership of the Government owned Rio Light; they slashed the company’s work force by 40 percent (Wamukonya, 2003). Efficiency in the electric sector is measured by the ratio of customers to employees. The international standard for this measurement is 160 customers per employee (Kwoka, 1997). The reverse seems to be the case in most developing countries that have lower ratios and are considered over staffed by international agencies, thus necessitating retrenchment (Karekezi & Kimani, 2001).

While this brings financial benefits to electricity entrepreneurs, it adversely affects the macro economy of the developing countries and increases the social cost, because the African extended family system provides a social safety net where one employed person in Africa supports a good number of unemployed kith and kins. This appears to form the social basis of opposition toward the electricity privatization from the Nigerian National Union of Electricity Employees. In August 2006, the union mounted a court challenge to the impending privatization of the parastatal, which they claim will negatively affect their employment prospects because of expected downsizing. The union submitted a petition to a high court in Abuja to have the privatization of the state monopoly declared unconstitutional (Hall, 2006).

Another yard stick used in measuring efficiency in electricity is sales per employee measured in watt-hours (Bacon, 1995). However since consumption levels are low in developing countries in comparison with developed countries largely due to finance, average per capita consumption in developing country’s household is ten times less than in developed ones, thus the use of international consumption average per employee to measure performance provides an imbalance figure that fails to reflect country specific difference (Wamukonya, 2003). Also, the anticipated reduced consumer tariffs have not been realized, instead high tariff has increasingly characterized electricity privatization. In Nigeria tariff rose from 0.06 kobo per kw/h in 1985 to 4.00 per kw/h in 2005. This is in respect to single phase domestic use only, while multiple phase and industrial plan are much higher. High tariff are devised to attract private investors and reflect commercial cost (ESMAP, 2005:3) and also because electricity is treated as a commodity (Byrne & Mun, 2001). In view of this, Thomas (2003) argued that even the institutions that propagate privatization have agreed that privatization will not lead to lower prices. In Uganda, a month after Uganda Electricity Board was privatized, bills rose upward to 158 percent. Consumer outrage forced the Ugandan President to intervene and seek tariff reduction. And in Argentina and India not only did prices increased but the quality of services did not improved. In Kenya, the court of appeal gave consumers permission to challenge a 40 per cent rise in power rates and tariff approved by the
electricity regulatory board (Wamukonya, 2003). In February 2006, the Nigerian TUC opposed a proposed 60 percent rise in electricity.

The Power Sector Reform Act (2005) created a rural electrification fund which has its aim, the extension of electricity to the unaccessed. On the contrary, evidence clearly indicates that in order to maximize profit, electricity entrepreneurs are often selective about the type of customers they serve... The Bolivian case, showed that 5 years into the reform process, only 19 percent of the rural households had been electrified compared to 14 percent, at the commencement of reform (ESMAP, 2000). And in Gabon, while the Government owned utility, Societe d’Energie et d’eau du Gabon (SEEG) was sold to Vivendi Environment, it improved service penetration in well established areas but failed to make progress in rural areas (Tremolet, 2002). This shows that private firms prefer to supply high load industrial users to the detriment of other consumers. Private electric firms also demonstrate discrimination in their disconnection of non-payers. For example, in Georgia, the electricity distributor, Telas; now AES disconnected users at the rate of 1,000 a month in 1999. Despite privatization, black outs are still common. For many if the city’s 400,000 households, privatization has brought little tangible gain apart from replacement of their old meters with new individual meters and rewiring. This has brought higher costs which they can no longer avoid (Bayliss, 2001).

Clearly, the extension of electricity to the rural areas is limited under reform, as the interest of shareholder takes preeminence as the case of Nigeria shows.

The ESMAP report also indicate that in a sample of Africa countries the extension of electricity were not due to privatization, but the major factor was active intervention by government based on equality led policies through public investment and subsidy, whereas full cost recovery resulting from privatization can make electricity less affordable for the poor (ESMAP, 2005). The Nigeria Power Reform Act (2005) also provided for the establishment of Power Consumer Assistance Fund, which the regulatory commission is expected to manage and using the fund to subsidize under privileged power consumers. The provision of subsidies is however antithetical to the World Bank’s 1993 reform policy. According to the World Bank “Subsidies and inadequate tariff levels leads to prices that give incorrect signals to users, resulting in over use” (World Bank, 1993). The Power Reform Act (2005) also created a regulatory agency. Bayliss (2001) argues that whereas a strong regulator is needed to ensure that privatization does not neglect the interest of the poor, however in most developing countries, regulation and state capacity generally is weak, and that the world bank’s position is that where states are weaker, there is a need for greater openness and more privatization so that competition will act as a regulator, but Bayliss (2001) also noted that, this is unlikely to emerge as weak States often correspond with weak and monopolistic markets. Weak regulation has adverse effect on the poor and the economy as a whole, ranging from higher prices, nonpayment of tax, transfer pricing, poor service quality and service cutback.

**Conclusion**

This study sets out to examine the drives for electricity privatization in Nigeria. Following, a fallen capacity of the Nigerian electricity monopoly to generate adequate power at the supply side and the subsequent globalization of capital; ideals of economic and technical efficiency has been propagated throughout the public policy domain, including the energy sphere and electricity privatization has become a direct consequence of this trend. The dependency theoretical perspective serves as an experiential tool in comprehending the dynamics of external capital flow and its effect on national policy outcome.

This study shows that loans and aids given by the Western donor countries to Nigeria to privatize its electricity industry reinforce the dominance of foreign monopoly capital. This facilitates the access of giant multinational companies as electricity transnational corporations diversify their investments from...
their area of domicile to the Nigerian electricity market. Furthermore, the findings of the study shows that the unbundling of NEPA into 18 different companies for eventual sale under the oversight of a holding company, the PHCN was a major policy condition for the granting of loans to the Nigerian government; also, the findings of the study indicate that there is a link between privatization and unemployment, including high tariff which increase the incident of poverty in Nigeria. It also indicates that there is no significant advantage of the private sector operation to the public sector in terms of efficiency. The findings shows that some independent power producers (IPP) indulge in sharp practice which enfeebles efficiency as the Enron 1998 case demonstrates. It further shows that only a minority elite benefit from the granting of licenses to power projects, which is characterized by lack of transparency and grassroots’ participation; this in turn undermines the democratization process. The study therefore recommends the flexibility of public policy that will incorporate public participation in developing a people base economic reform package.

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